

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF HAWAII

SPORTS SHINKO CO., LTD.,)	CV 04-00124 BMK
)	CV 04-00127 BMK
Plaintiff,)	
)	CONSOLIDATED CASES
vs.)	
)	DECLARATION OF
QK HOTEL, LLC, et al.,)	HUNGKE LEE;
)	EXHIBIT 77
Defendants,)	
)	
and)	
)	
FRANKLIN K. MUKAI, et al.,)	
)	
Third-Party)	
Plaintiffs,)	
)	
vs.)	
)	
SPORTS SHINKO (USA) CO.,)	
LTD., et al.,)	
)	
Third-Party)	
Defendants,)	
)	
and)	
)	
SPORTS SHINKO (HAWAII))	
CO., LTD., et al.,)	
)	
Third-Party Defendants/)	
Counterclaimants,)	
)	
vs.)	
)	

QK HOTEL, LLC, et al.,)
)
Third-Party Counterclaim)
Defendants.)
)
AND CONSOLIDATED CASES)
_____)

DECLARATION OF HUNGKE LEE

I, HungKe Lee, being duly sworn under oath,
declare as follows:

1. I make this Declaration based on personal
knowledge and I am competent to testify to the matters set
forth in this Declaration.

2. I am a Director of South Wind Realty Finance
(Cayman) Company ("SW") and the Representative in Japan for
its Tokyo branch. I was responsible in part for accounting for
Sports Shinko Co., Ltd., a Japan company ("SS Japan") and
its former subsidiaries in 2005 as SW had SS Japan and its
former subsidiaries as its own subsidiaries. I supervised the

preparation of the 2004 consolidated tax return for Sports Shinko (USA) Co., Ltd. ("SS USA").

3. Two sets of financials were created for SS USA and Sports Shinko (Wakiki) Corporation ("SSW") for the tax year 2004. Both sets of financials were provided to Grant Thornton, the CPAs in Hawai'i who were preparing the 2004 SS USA consolidated tax returns.

4. The initial set of financials was created in mid-2005. On review, the financials attached as Ex. "6" to KG's motion for partial summary judgment are this initial set of financials of SSW (as modified/highlighted by KG).

5. This initial set of financials was created using the purchase accounting method. "Purchase accounting" is an accounting method that is used in mergers and business combinations. Here, purchase accounting was used in order to properly reflect the assets and liabilities of the acquired subsidiaries at fair value. As a result, the inter-company loan amounts on the SS USA books were reduced to match the total purchase price at which SW acquired the loans of SS Japan to SS USA and its subsidiaries.

6. In regard to the loans on the books of the subsidiaries of SS USA, including SSW, they were reduced to zero as there was no allocation of purchase price at each subsidiary level, *i.e.*, the inter-company loans to SW were all booked in SS USA's books and not allocated to SS USA's subsidiaries. If the inter-company loans were not thus reduced, SW could not properly eliminate the inter-company balances upon consolidation. However, this does not mean that SW legally forgave its loans to SS USA and its subsidiaries, including SSW. These bookings were made solely for accounting purposes.

7. Upon looking at the initial set of 2004 financials for SS USA and its subsidiaries, Grant Thornton raised several questions about whether the intercompany loans, including the subject loan from SS Japan to SSW, had been cancelled or forgiven, as that would result in income to SS USA and its subsidiaries.

8. We advised Grant Thornton that the loans had not been forgiven. A separate set of financials were

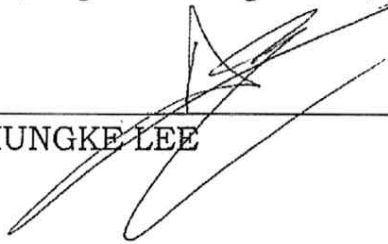
Grant Thornton relied on these re-stated financials for the preparation of the returns. SS USA did not recognize interest income in that return, as no debt was cancelled.

9. As a director for SW, I have control of and serve as a custodian of records for SW for the purposes of attesting to the attached documents.

10. Attached as Exhibit 77 are true and correct copies of schedules and financials that were attached to the filed tax returns of SW from the years 2003-2006, which are business records that were created and kept as a regularly conducted part of its business activities at or near the time of the acts, events reflected in the records. These records show an entry for the SS USA and subsidiary loans which SS Japan sold to SW starting in 2005. (See page 260 1457 in Ex. 77 (2005 SW statement); and 260 1441 (2004 SW statement)).

*I declare under penalty of perjury that the foregoing
is true and correct.*

Executed in Tokyo, Japan on August 24, 2007.



HUNGKE LEE